LEGISLATIVE BUDGET BOARD

Higher Education Transparency

Internal Audit Landscape

PRESENTED TO SENATE FINANCE COMMITTEE

LEGISLATIVE BUDGET BOARD STAFF

JULY 2026

Statement of Interim Charge

Higher Education Transparency

Examine the current financial reporting and disclosure practices of public institutions of higher education. Evaluate the adequacy of existing transparency standards regarding the use of state appropriations, tuition revenue, and designated funds. Assess the frequency and scope of state audits and study the feasibility of requiring more frequent, comprehensive audits to ensure fiscal accountability. Make recommendations to strengthen reporting requirements, increase public access to institutional financial data, and provide greater oversight to ensure the efficient and transparent use of taxpayer and student funds.

Requests for Information

Institutions of Higher Education (excluding Community Colleges) are subject to the Texas Internal Auditing Act (Texas Government Code, Chapter 2102) which requires state agencies and public institutions of higher education receiving legislative appropriations to establish a formal, ongoing internal auditing program.

Institutions of Higher Education (excluding Community Colleges)

Legislative Budget Board Staff sent a request for information to all institutions of higher education focused on institutional processes and timelines for producing internal audit plans and reports under the Texas Internal Auditing Act.

Community Colleges

While the Texas Internal Auditing Act is not applicable to community colleges, our request for information to community colleges aligned with the request to other institutions but was focused on any existing audit processes at community colleges.

Response Rates

All General Academic Institutions, Health Related Institutions, Lamar State Colleges, and Texas State Technical Colleges provided responses for the requested information.

Nearly all Community Colleges provided responses for the requested information.

Annual Process and Timeline – Institutions of Higher Education

1. Describe the annual process and timeline for the development and approval of an annual audit plan and annual report as required by the Texas Internal Auditing Act (Government Code, Chapter 2102) for your system office, institution(s), and agencies, as applicable.

2. Describe the process and timeline of any System Office aggregation, review, or approvals of individual institutions' or agencies' annual audit plans and reports.
   a. Does your System Office (if applicable) have a formal approval process of any annual audit plans or reports prior to Board of Regents approval?

3. Describe the process and timeline of submission to and approval of annual audit plans and annual reports by your Board of Regents.

Annual Process and Timeline – Institutions of Higher Education

Institutions of Higher Education are required to develop an annual audit plan as well as prepare and submit an annual report prior to November 1st of each year. Most institutions report that the annual report is prepared in the summer prior to the submission and submitted to the Board of Regents and the Chancellor in August before submission to the Governor, Legislative Budget Board (LBB), and State Auditor's Office (SAO) in November.

Fall
Develop Audit Plan using a risk-based approach

Spring
Solicit feedback across the institution to develop a draft plan

Summer
Submit draft plan to System Office and/or Chief Audit Executives, Committees, or Audit Offices

August
Submit to Board of Regents and Chancellor for approval

November
Submit annual report to Governor, LBB, and SAO

Board of Regents Approval and Reporting

Please confirm that annual audit plans and annual reports for each institution have been approved by your Board of Regents annually for the last 10 years. If not, please identify and explain why.

- **All institutions reported similar mechanisms for approval of their annual audit plans through a Committee/Executive and then through the Board of Regents and/or Chancellor prior to formal submission.**

- **All institutions report that annual audit plans have been approved by their Board of Regents/Chancellor for the last 10 years.**

Please confirm that annual audit plans and annual reports for each institution have been submitted to the State Auditor's Office annually for the last 10 years. If not, please identify and explain why. Please identify the position(s) within the system, institution(s), and/or agencies responsible for submission of the annual audit plans and annual reports to the State Auditor's Office?

- **Generally, most institutions report that annual audit plans and reports have been submitted to the SAO for last 10 years.**

- **Each institution has a Chief Audit Executive/Auditor that submits the required reporting.**

Annual Process and Timeline – Community Colleges

1. Describe the annual process and timeline for the development and approval of an annual audit plan and annual report for your institution.

2. Describe the process and timeline of submission to and approval of an annual audit plan and annual report by your governing board.

- **While community colleges are not subject to Texas Internal Auditing Act, their responses mostly cited annual financial reporting requirements that included an independent audit report of financial statements.**
- **Community colleges reported both internal audit processes as well as external audit processes through the contracting of an external auditor.**

Internal Audit Annual Process and Timeline – Community Colleges

Spring

Internal auditor conducts risk assessment and creates audit plan

Summer

Audit Committee or Governing Board reviews and approves audit plan – Audit work begins upon approval

Summer/Fall

As fiscal years end, internal auditor continues audit work and begins report preparation

December/ January

Report submitted to governing board and/or state agencies

External Audit Annual Process and Timeline – Community Colleges

Before Audit

College solicits a Request for Proposals for external audit. Typically for five-year contracts

Spring

College receives engagement letter from external auditor detailing audit scope and plan

Summer

External auditor conducts interim work before close of fiscal year

Summer/Fall

As fiscal years end, external auditor continues audit work and begins report preparation

December/ January

Report submitted to governing board and/or specified state agencies

Governing Board Approval and Reporting

Have your institution’s audit plans and reports been approved by the governing body annually for the last 10 years?

- **Community colleges are not required to have their governing body approve audit plans or audit reports. However, the majority of community colleges reported having submitted annual reports for governing board approval.**

Have your institution’s audit plans and reports been submitted to the State Auditor’s Office (SAO) annually for the last 10 years? What position(s) is/are responsible for submission of the audit plans and reports to the SAO if submissions are taking place?

- **Community colleges are not required to submit audit plans to the SAO, however some colleges reported doing this at least once in the last 10 years. Community Colleges are required to submit annual financial reports to the SAO and the majority of community colleges reported doing so for the last 10 years. Based on the responses, the remaining colleges could not confirm all historical submissions.**

- **The position responsible for submitting the annual financial report varies across institutions, but it is most often submitted by a vice president, audit staff, or financial officer.**

Contact the LBB

Legislative Budget Board
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